

Chapter Contents

Chapter Six—Progress Payment and Reporting Procedures

6.1	PROGRESS PAYMENTS.....	6-1
6.1.1	Payment and Reporting Submission–Contents.....	6-1
6.1.2	Payment and Reporting Schedule	6-1
6.1.3	Payment Time Restriction	6-2
6.1.4	Payment Controls	6-2
6.1.5	Standard Invoice.....	6-2
6.1.6	Subconsultant Submission	6-2
6.1.7	Direct Expense Submission.....	6-2
6.1.8	Progress Payment Review	6-2
6.1.9	Invoice Processing.....	6-3
6.1.10	Open-end Agreements	6-3
6.2	REPORTS	6-3
6.2.1	Progress Reports	6-3
6.2.2	Consultant Tracking Information Data Sheet.....	6-4
6.2.3	Direct Labor Payroll Records	6-4
6.2.4	Disadvantaged Business Enterprise Activity Report	6-4
6.2.5	Invoice and Progress Report—Review Summary.....	6-4
6.3	CONTRACT CLOSEOUT	6-5

List of Figures

No.	Title	Page
6-1	Standard Invoice Format	6-6
6-2	Cost Summary Report.....	6-8
6-3	Person-hour Summary Report.....	6-9
6-4	Task Summary Report	6-10
6-5	Disadvantaged Business Enterprise Activity Report	6-11
6-6	Standard Status Report.....	6-12

Chapter Six

Progress Payment and Reporting Procedures

6.1 PROGRESS PAYMENTS

After the Notice to Proceed has been issued, the progress and payment procedure should be established. In tracking projects, it is essential that an easily recoverable database be maintained. The use of the standard format for progress payments and reporting described herein will ensure that all items are covered and make reviews easier.

6.1.1 PAYMENT AND REPORTING SUBMISSION-CONTENTS

Progress and payment submissions for contracts using the cost-plus-fixed-fee method of payment should include these items:

- a completed invoice,
- a brief written summary of activities for the reporting period,
- a cost summary report,
- a person-hour summary report,
- a task summary report,
- a completed Disadvantaged Business Enterprise Activity form, if applicable,
- a status report for the reporting period,
- certified direct labor payroll records,

- copies of verified direct expenses, and
- any subconsultant submission(s).

For contracts where other acceptable methods of payment are specified, the last three items are not usually required.

Standard formats for the first six items are shown as Figures 6-1 through 6-6 respectively at the end of this chapter.

6.1.2 PAYMENT AND REPORTING SCHEDULE

Normally, the schedule for billing and progress reporting is monthly. Payments on contracts with lump sum or other approved methods of payment may be based on:

- completion of a specified percent of work,
- completion of certain work tasks,
- completion of specified phases, or
- some other agreed-to schedule.

The agreement should clearly define the payment and progress reporting schedules.

6.1.3 PAYMENT TIME RESTRICTION

By statute, the Department must make payment to a vendor within thirty days of receipt of the in-

voice or be subject to payment of interest—assuming, of course, that the submission is complete and accurate. To minimize the possibility of incurring a late-payment penalty, the section should time stamp the invoice upon receipt and the Project Manager should process the invoice through the Section's Fiscal Control Officer within seven workdays. Consultants whose billings are found to be incomplete, inaccurate or otherwise unacceptable should be notified immediately.

6.1.4 PAYMENT CONTROLS

After completion of the negotiations, an original copy of the final agreement should be submitted to the Department's Office of Financial Management and Budget so the funding and coding can be set up within the Department's financial system.

Payment controls are set up within the finance system based on the Method of Compensation paragraphs in the agreement. The method of payment depends on the terms of the contract. There may be just one single upset limit for the total cost of the contract or several different controlling limits, such as by phase, function, or task. Payments will be made until billings exceed any of these controls. Then no further payments will be processed until a supplemental agreement is executed and the cost limitations are modified. Effective project management can prevent this problem.

6.1.5 STANDARD INVOICE

No payment should be made without a properly completed invoice. See Figure 6-1. The Project Manager, the Consultant, and the Fiscal Officer should review and agree on the preparation responsibility and acceptable contents of invoices very early in a project, prior to the first progress payment submission. The format shown in Figure 6-1 should be used unless there is a good reason for varying from that format.

6.1.6 SUBCONSULTANT SUBMISSION

Subconsultants bill the prime Consultant as a direct expense. No mark-up or handling costs are permitted. Costs required to handle the billing are treated as either chargeable direct labor or as a part of the Consultant's operating overhead. The

Project Manager should have a copy of the final fee proposal and the latest approved contract(s), including subconsultant contracts if applicable, available for checking this submission.

6.1.7 DIRECT EXPENSE SUBMISSION

For contracts based on cost plus a net fee payment, the Consultant is reimbursed for related project direct expenses. Such expenses include mileage, telephone, printing, copies, mailing, consumable materials, and the like. All costs must be supported by certified copies of these expenses with the correct project codes.

6.1.8 PROGRESS PAYMENT REVIEW

Upon receipt of an invoice, the Project Manager should check it for conformance with the approved "Estimated Progress Payment" format, and verify the mathematics and percent of work complete.

On cost-plus-fixed-fee agreements, a comparison of the ratio of payroll expended to payroll budgeted or originally estimated does not necessarily reflect the current percent of work complete. To verify the percent complete, the ratio of person-hours expended versus person-hours budgeted and the Project Manager's knowledge of work tasks either completed or underway must also be considered. During a project, there may be periods of highly intensive direct labor costs with limited progress or low use of direct labor with significant progress. Only the Project Manager can make the determination that all of these relationships are in balance.

The Project Manager must review and verify those specific maximums for direct or indirect payroll cost and other costs agreed upon during negotiations have not been exceeded.

The review and approval of subconsultant invoices is the responsibility of the prime Consultant. However, the Project Manager must certify that the kinds of services, subcontract work and materials have been performed and furnished. The prime Consultant should submit a copy of the invoice and back up received from the subconsultant. The submission should be in a form and content agreed to by the Project Manager—preferably in the same form used by the prime.

The Project Manager must check with the Section's Fiscal Officer to assure that sufficient funds are available to process the invoice.

6.1.9 INVOICE PROCESSING

After review and approval by the Project Manager, the invoice, including back up information, is submitted to the Section's Finance Officer for processing through the finance system for payment.

The Finance Officer verifies funding availability and prepares the Payment Voucher, including all necessary financial coding. The Finance Officer also enters the data from the Person-hour Summary Report (Figure 64) into the Section's records system.

The Consultant's invoice and Department's Standard Payment Voucher is submitted to the Finance Section for processing and payment. Payroll and other cost verification information are retained by the originating section.

The Finance Section verifies the mathematics, the financial coding, the validity of the firm's Delaware business license, and that no costs exceed those encumbered under the terms of the original or latest supplemental agreement.

6.1.10 OPEN-END AGREEMENTS

The progress payment and reporting process for open-end agreements is very similar to that of other types of agreements. The difference is there are usually several projects being pursued under the general terms contained in the parent agreement.

The scope of work is defined, compensation terms negotiated, and a Notice To Proceed issued separately for each assigned project. The parent agreement establishes an upset limit—total compensation—for completion of all anticipated work and a time period within which work may be authorized..

Normally, the total upset limit is not set up in the financial system. As mentioned, for each project within the parent agreement, a scope of services is

defined, negotiated, funded (FS-1) and receives a separate notice to proceed. This procedure reduces the commitment of unused funds, reduces accounting confusion, incorrect tracking and reporting of costs incurred when there are several projects being pursued.

To further reduce confusion and ensure adequate tracking, the Project Manager must make sure that firms keep invoices and progress reports separated on a project by project basis either by contract number and/or by job number, preferably both.

The Project Manager should make sure the accounting information submitted maintains a clear record of the relationship summarizing individual project compensation limits to the original upset limit established in the parent agreement versus funds expended. In addition, because open-end agreements have an expiration date, a clear indication of this date on one or more of the monthly submissions would be beneficial for monitoring purposes.

6.2 REPORTS

6.2.1 PROGRESS REPORTS

To monitor the actual progress of a project, the Project Manager needs current information on the overall completion status of the technical aspects of the project and the costs incurred and resources expended.

Unless defined otherwise in the agreement, a progress report must be submitted on a monthly basis. The Monthly Progress Report is submitted with the monthly invoice and consists of several reports showing a narrative describing work performed during the billing period, progress charts by major tasks, costs incurred, person-hours expended, and a task completion report. The Progress Status Report submission should be standardized as much as possible. See Figures 6-2 through 6-6 for the preferred formats.

The narrative describing the contract status should be prepared and signed by the firm's Project Manager and includes the following:

- a summary of work performed during the period including any subconsultants,

- a discussion of whether any unusual problems have been encountered,
- a discussion of whether or no there are any delays in prosecution of the work,
- are there any outstanding approvals required,
- general comments and recommendations, and
- a summary statement of project completion.

The report package contains valuable contract monitoring information. Usually, the report includes key project milestones with dates, target dates for completion of each phase, the status of the major or critical tasks, person-hours expended for the current period by classification and task, person-hours expended prior to the current submission, accumulated person-hours to date, and, as appropriate, the budgeted person-hours.

The ratio between total actual person-hours expended and total dollars billed versus the budgeted estimates for these two items is compared with the current estimate of the percent of work complete to determine if a project is on track.

The Project Manager may require that additional information for measuring progress and resource use be submitted monthly (CADD hours, for example). The Consultant must be advised of these requirements at the Pre-Proposal Conference.

6.2.2 CONSULTANT TRACKING INFORMATION DATA SHEET

The Department has established a procedure to keep a historical database record for professional service contracts. Key tasks are identified by the Project Manager at the negotiation stage and assigned an input code for tracking throughout the project. Person-hours per task are summarized monthly by the Consultant for entry by the responsible section. See Figure 6-3 for an example form. The Project Manager should ensure the items to be tracked are in agreement with the approved fee

proposal and scope of work.

6.2.3 DIRECT LABOR PAYROLL RECORDS

Monthly Progress Reports summarize direct labor expended to date by task, person-hour and classification for the current billing period. To verify each request for payment, the Consultant submits a certified copy of the payroll records for the personnel directly chargeable to the project during that billing period.

6.2.4 DISADVANTAGED BUSINESS ENTERPRISE ACTIVITY REPORT

On projects that have goals for the use of Disadvantaged Business Enterprise firms, the monthly submission must include an updated DBE Activity Report. This report is submitted to the DBE Office to monitor DBE percentages. Refer to Figure 6-5 for a sample report.

6.2.5 INVOICE AND PROGRESS REPORT —REVIEW SUMMARY

In summary, the Project Manager reviews each progress report and invoice as follows:

- What has been received for the dollars expended?
- Is the project progressing in a timely manner?
- Is action needed to more closely monitor the utilization of human resources?
- Are key, interdependent tasks being pursued in the correct sequence?
- Are hourly rates billed in conformance with terms of the contract?
- Is there a satisfactory correlation between person-hours and dollars budgeted versus those expended?
- Are expenditures properly supported?
- Are items such as premium time, purchase of equipment, additional subconsultants, etc., authorized?

- Are supplemental agreements anticipated?
- Is any budget line item rearrangement required to accommodate changes in estimated expenditures?
- Are headings, report number, period of service, format, etc., correct?
- Are previous accumulative amounts correct?
- Is math correct?
- Are indirect costs and overhead rates correct?
- Is the fixed fee within contract limits?
- Are all billed items allowable and approved?
- Have possible problem areas been discussed with the Consultant and section head?

6.4 CONTRACT CLOSEOUT

After a section establishes that a contract has been satisfactorily completed, the Consultant is notified in writing. Several important items are a part of the closeout process:

- Final Invoice.
 - Final Disadvantaged Business Enterprise (DBE) Utilization Form.
 - Final Summary Consultant Tracking Form.
 - Final Performance Evaluation Report.
 - Certification that all subconsultants have been paid.
 - Certification by Department's Project Manager that all work has been satisfactorily completed and that there are no pending supplemental agreements.
- Notification that all work completed to Office of Financial Management and Budget with copy of final costs.
 - Final Audit. (Costs for final audits are billed to the project. The Project Manager must request funds to pay for the final audit.)
 - Release of retention, if any.

Before the final payment is processed, the project manager should be certain that there are no pending supplemental agreements, that all costs are within contract limits and, if possible, have the final audit in hand. Final Audits frequently reveal small differences in mathematics and in both allowable and non-allowable costs.

These small differences usually do not cause any problem. However, on occasion, a final audit determines that a large dollar amount may be due either party. When this occurs it may require a proposal with back up, review, negotiation and a supplemental agreement, all of which takes considerable effort and time. This causes particular difficulty if final payment has been made long before the audit has been completed.

The most frequent areas where the audit reveals significant increases are labor rate adjustments, increases in overhead percentages, and greater than anticipated use of higher-classified personnel.

The Project Manager should carefully track any increases in labor rates. Labor rate increases may be approved on long-term contracts during negotiations. However, if changes in labor rates are not properly approved and monitored at the time they take effect, they can result in large discrepancies at the end of the project or at final audit.

The other critical area for monitoring anticipated final costs is the assignment of personnel. If more high-level employees are used than originally negotiated, significant cost increases can also accumulate, even though the number of person-hours does not increase.

Figure 6-1
Standard Invoice Format

Date:	
Delaware Department of Transportation PO Box 778 Dover, Delaware 19903	
ATTENTION: Project Manager	
REFERENCE: Agreement No. _____	Invoice No. _____
Contract No. _____	Period _____ to _____
FAP No. _____	Firm Job No. _____
Ladies/Gentlemen:	
We are submitting our invoice for professional services for this contract.	
PROFESSIONAL FEE	
Direct salaries per attached payroll reports	\$
Payroll burden and overhead @ _____ %	\$
Subtotal	\$
PROFIT	
Fixed fee \$ _____ @ _____ % Complete	\$
Subtotal	\$
DIRECT EXPENSES	
Prints	\$
Mileage	\$
Parking/tolls	\$
Subsistence	\$
Etc	\$
Subtotal	\$
Subconsultants (List by name)	\$
TOTAL DUE THIS INVOICE	\$

Figure 6-1 (Continued)

Standard Invoice Format

TOTAL BILLING SUMMARY:

CATEGORY	PROFESSIONAL FEE	DIRECT EXPENSES	SUBCONSULT- ANTS	TOTAL
Total Upset Limit				
Prior Billing				
This Invoice				
Total Billed				
Amount Remain- ing				

% _____ COMPLETE % _____ BILLED

“Certified true and correct, payment not previously received. Certified that payment has been made to all subconsultants pursuant to the terms of our contract.”

(Name)

(Title)

(Firm) FED. TAX I.D. NO.

DELAWARE LICENSE NO.

STATUS

On Schedule—Yes__ No

Within Budget—Yes__ No

Supplemental Anticipated—Yes__ No

NOTE: A firm may submit additional breakdowns of all of the above items including costs assigned to sub-tasks and tasks. In fact, further breakdown of costs will aid both the firm and Project Manager to monitor the project. However, for ease of processing, the submission cover letter should consist of these two pages with support information following as attachments.

Figure 6-2
Cost Summary Report

DeIDOT Professional Services Status Report Cost Summary in Dollars (\$)						
Agreement No.:		Consultant:			Date:	
Contract No.:		Description:			Reporting Period: Report No.:	
Task No.	Task Description	Budget (\$)	Amount previously invoiced (\$)	Amount of this invoice (\$)	Total invoiced to date (\$)	% of budget
Item #						
TOTALS						

Figure 6-3

Person-hour Summary Report

DelDOT Professional Services Status Report Person-hour Summary						
Agreement No.:		Consultant:			Date:	
Contract No.:		Description:		Reporting Period: Report No.:		
Task No.	Task Description	Person-hours				
		Budget	Amount previously invoiced	Amount of this invoice	Total invoiced to date	% of budget
Item #						
TOTALS						

Figure 6-4

Task Summary Report

DelDOT Professional Services Status Report Progress by Task Summary						
Agreement No.:			Consultant:			Date:
Contract No.:		Description:			Reporting Period: Report No.:	
Task No.	Task Description	% Task Complete			Task value	% of Project complete
		Previous	Period	Total		
Item #						
TOTALS						

Figure 6-5
Disadvantaged Business Enterprise Activity Report

DISADVANTAGED BUSINESS ENTERPRISE ACTIVITY REPORT

CONSULTANT:

PROJECT DESCRIPTION:

INVOICE NUMBER:_____

REPORTING DATE:

CONTRACT NUMBER:_____

FEDERAL AID NUMBER:

AGREEMENT NUMBER:_____

DATE OF AGREEMENT:

SUPPLEMENTAL AGREEMENT NO.:_____

DATE OF SUPPLEMENTAL:

DBE FIRM _____

CERTIFICATION

NO.

SUB-TASK VALUE _____ %

CONTRACT GOAL _____ %

\$ Value of Contract (Budget)	Amount Previously Paid (\$)	Amount This Period (\$)	Amount Remaining (\$)	Percent of Sub-task Complete (%)	Percent of Sub-task Remaining (%)

REMARKS:

Figure 6-6
Standard Status Report

DelDOT Professional Services Status Report Status Report																								
Agreement No.:								Consultant:								Date:								
Contract No.:								Description:								Reporting date: Report No.:								
Mark the appropriate boxes below to notate the 3 chart work symbols on the right:												Original estimate XXXXXX (example)												
												Current estimate ***** (example)												
												Actual work mmmm (example)												
Task description	19xx												19xx											
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
Roadway Plans								X	X	X	X	X	X	X										
											*	*	*	*	*	*	*							
												M	M	M	M	M								
Drainage Plans			X	X	X	X	X	X																
								*	*	*	*	*	*	*										
							M	M	M	M	M													
Structure Plans																								
Traffic Control																								
Utilities																								
Geotechnical																								
R/W Plans																								
Const. Sequence																								